

The shares hereby offered are being purchased from shareholders of the Company and no proceeds of the sale thereof will be received by the Company.

The shares referred to herein are being offered in Canada, but not in the United States of America. This prospectus is not, and under no circumstances is to be construed as, an offering of the shares for sale in the United States of America or in the territories or possessions thereof.

OUTSTANDING ISSUE

12,000 COMMON SHARES

(without nominal or par value)



PANCO POULTRY LTD.

(incorporated under the laws of British Columbia)

It is the Company's intention to apply for listing of the Common Shares on the Vancouver Stock Exchange, subject to the filing of required documents and evidence of satisfactory distribution both within 90 days from the date of approval.

Transfer Agent and Registrar:

MONTREAL TRUST COMPANY, VANCOUVER

PRICE: \$20 net per share

We offer, as principals, these shares if, as and when issued and received by us, subject to prior sale and subject to the approval of all legal matters by Messrs. Freeman, Freeman, Silvers & Koffman, Vancouver, on behalf of the Company and by Messrs. Paine, Edmonds, Mercer, Smith & Williams, Vancouver, on our behalf.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books without notice. It is expected that certificates representing the Common Shares in definitive form will be available for delivery on or about April 1, 1965.

THOMAS B. READ COMPANY LTD.

602 WEST HASTINGS STREET

VANCOUVER 2, B.C.

Telephone MUtual 3-7751

620 VIEW STREET

VICTORIA, B.C.

Telephone EVergreen 6-7777

This prospectus is not, and under no circumstances is to be construed as, an offering of any of these Preference Shares for sale in the United States of America, or in the territories or possessions thereof.

ADDITIONAL ISSUE

\$500,000
(10,000 Shares)

PANCO POULTRY LTD.

(incorporated under the laws of British Columbia)

\$2.75 Cumulative Redeemable Convertible Preference Shares Series A
(with a par value of \$50 each)

These \$2.75 Cumulative Redeemable Convertible Preference Shares Series A (hereinafter sometimes called the "Series A Preference Shares"), are to be fully paid and non-assessable, entitled to fixed cumulative preferential cash dividends at the rate of \$2.75 per share per annum and no more, as and when declared by the Board of Directors, payable quarterly on the last days of January, April, July and October in each year by cheque at par at any branch of the Company's bankers for the time being in Canada (far northern branches as may from time to time be designated by such bankers excepted); entitled on liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, to the par value of such shares, together with a premium of \$2 per share and all unpaid preferential dividends, and if such liquidation, dissolution, winding up or distribution be voluntary and prior to April 1, 1970, an additional amount equal to \$1 per share, before any amount shall be paid or any property or assets of the Company be distributed to the holders of Common Shares or shares of any other class ranking junior to the Series A Preference Shares; redeemable at the Company's option at any time in whole or from time to time in part on at least 30 days' notice at the par value thereof plus a premium of \$2.50, and plus an amount equal to all accrued and unpaid preferential dividends thereon whether or not earned or declared. A full statement of the provisions relating to the Series Preference Shares as a class and to the Series A Preference Shares is set out in the Statutory Information section of this prospectus.

The Series A Preference Shares are to be transferable at the offices of the Montreal Trust Company in Vancouver, Canada.

CONVERSION PRIVILEGE

Any holder of Series A Preference Shares will have the right, exercisable in stipulated manner at any time up to and including, but not after April 1, 1970, or in the case of shares called for redemption up to the close of business on the third business day prior to the date fixed for redemption, to convert all or any of the Series A Preference Shares held by him respectively on the basis of 2 Common Shares for each Series A Preference Share so converted. The rights and conditions attached to the Series A Preference Shares contain provisions for the adjustment of the conversion privilege in certain events as set out in the Statutory Information section of this prospectus.

PREFERENCE SHARE PURCHASE FUND

A purchase fund for the Series A Preference Shares is provided whereby the Company is obligated to use in each 12 month period commencing with the 12 month period ending January 31, 1967, an amount of money equal to 3% of the aggregate par value of all Series A Preference Shares previously issued for the purchase on the open market for redemption or retirement of the Series A Preference Shares to the extent that such shares are available for purchase by the Company at a price not exceeding their par value plus reasonable costs of acquisition. Such obligation may be anticipated by the Company in whole or in part and the Company may credit the amount of such anticipated expenditure in reduction of the amount of any Series A Preference Share Purchase Fund obligation thereafter becoming due.

It is the Company's intention to apply for listing of the Series A Preference Shares on the Vancouver Stock Exchange, subject to the filing of required documents and evidence of satisfactory distribution both within ninety days from the date of approval.

We offer, as principals, these Series A Preference Shares subject to prior sale and change in price, if, as and when issued by the Company and accepted by us subject to the approval of all legal matters on behalf of the Company by Messrs. Freeman, Freeman, Silvers & Koffman, Vancouver, and on our behalf by Messrs. Paine, Edmonds, Mercer, Smith & Williams, Vancouver.

PRICE: \$50 net per share to yield 5.50%

Dividends on the Series A Preference Shares will accrue from April 1, 1965.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive share certificates will be available for delivery on or about April 1, 1965.

THOMAS B. READ COMPANY LTD.

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The following information has been supplied by Mr. Theodore Cohen, President of Panco Poultry Ltd.

THE COMPANY

Panco Poultry Ltd. is the largest combined hatchery and poultry processing plant in Canada. Formed by amalgamation in February, 1965, it is the amalgamation of seven companies operating in specialized parts of the poultry industry. The Company grew to its current size from a small hatchery started in 1945 by Theodore Cohen, shortly after his graduation in agriculture from the University of British Columbia. Today Panco engages in the producing and hatching of eggs, the growing of broilers and turkeys, the cleaning and processing of broilers and turkeys for fresh shipment, the freezing and packaging of processed poultry, the operation of experimental kitchens to develop new uses for poultry products, and the marketing of the Company's products to both wholesale and retail outlets. Sales have increased tenfold since 1955.

THE INDUSTRY

In the decade following World War II, the poultry business in the United States was revolutionized by technological advances in every phase of its operation, from the development of large-scale controlled-atmosphere hatching procedures to new methods of packaging and marketing the processed meat. The broiler chicken (a small bird weighing less than 4 pounds) was evolved from new knowledge of poultry genetics. Disease control and new knowledge of feeds led to strict standards of quality control and the lowering of loss ratios in both the hatching and the growing operations.

Mr. Cohen was among the first Canadian producers to adapt these advances to his own enterprise. The improved technology led to a substantial reduction in production and marketing costs throughout the industry which in turn resulted in a progressively lower price to the consumer. At the same time, from 1955 to 1964 Canadian broiler production increased fivefold from 61 million pounds to 304 million pounds. Thus, on the increased volume, processors' revenues rose despite the fact that retail prices were declining. Per capita consumption of broiler meat grew from 14.0 pounds in 1955 to 19.6 pounds in 1964 — still well below that of the United States, where consumption in 1963 totalled 27 pounds per capita. Demand for poultry since 1951 has been enhanced not only by a decline in retail price but by the product's increased availability, convenience and quality, by a 38 percent increase in population and by a 53 percent rise in per capita income. The Canadian housewife is increasingly aware that poultry offers the same protein and caloric value as good-quality beef at a significantly lower cost.

HATCHERY

Panco's baby chick hatchery, the largest in Western Canada, has an incubator capacity of 528,000 eggs. A total of 6,854,000 eggs were set in 1964. The Company produces 25 percent of its hatching egg requirements from its own breeder stock and purchases the remainder from other British Columbia egg producers.

After delivery to the hatchery, the eggs are placed in incubator setters for eighteen days and then are transferred to incubator hatchers for the final three days of the hatching process. "Hatchability ratios" vary for different kinds of eggs, but losses in hatching are kept to a minimum by using the most modern equipment available. Average hatchability has increased from just over 50 percent in the early post-war years to approximately 80 percent today.

Part of the operation is used to hatch "Hy-Line" chicks, a commercial egg-laying strain developed in Canada by Pioneer Hi-Bred Corn Company of Canada Limited. Since 1952, when Panco became the sole British Columbia representative for "Hy-Line", demand for these young chicks has increased consistently. This year the Company expects to hatch and sell about 750,000 "Hy-Line" chicks.

DISEASE CONTROL

The Company's poultry health standards throughout the operation are very high — fewer than four broiler chicks out of 100 are lost during the growing process. Most baby chicks are inoculated against known poultry disease before they leave the hatchery, although disease prevention is not a legal requirement. Some growers prefer to treat the chicks at the farm and in some isolated areas a few farmers find it is not necessary to treat the chicks at all.

GROWING OPERATIONS

The chicks are transported to the growing farms from the hatchery in one of Panco's three controlled-temperature, controlled-ventilation trucks.

Ninety-four percent of the broilers processed are grown by 85 progressive British Columbia farmers who are under contract to Panco. These independent business men are assisted by the Company's five field representatives who are qualified, experienced poultrymen and are on call without charge to assist with technical and medical problems.

The Company itself operates four farms in the Fraser Valley where it produces broiler chickens, turkeys and hatching eggs. Buildings used for poultry growing total 350,000 square feet. Every year about 500,000 chickens and turkeys are grown on the Company's four farms, of which three are owned and one is leased.

Research to improve the quality of poultry products is carried on at the Company-owned B.C. Testing Farms. Different strains of broiler chickens and turkeys are constantly under study.

PROCESSING PLANT

Panco's processing plant is located in Surrey, British Columbia, on 15 acres of land, and when present expansion is completed in June, 1965, it will contain 70,000 square feet. Upon completion of the expansion, the plant's processing capacity will be increased by two-thirds, from 3,600 to 6,000 broilers per hour. This is the equivalent of 22,000 pounds of chicken or 36,000 pounds of turkey per hour — the largest capacity of any processing plant in Canada.

Poultry, delivered to the processing plant from the growing farms by independent truckers, is hung on conveyors and automatically killed, plucked, cleaned, sorted by size and graded. The equipment used (sizing equipment, automatic chillers, sharp freezers, liquid freezers and four packaging lines) is the most modern available. Capacity of the Company's holding freezers is one million pounds. The entire processing operation is under the inspection of the Health of Animals Division of the Federal Department of Agriculture. Five federal government inspectors are presently on hand at all times, and following expansion the number will be increased to at least seven.

In 1964, the plant processed 5,174,000 birds, and after expansion, processing is projected to reach six million birds during the current year. Approximately 25 million pounds of poultry were processed in the year ended January 31, 1965.

There are no waste products in the Company's operation that are not used in some way. Those parts of the chicken that are not processed as meat are sold — including feathers and feet. Sale of these products adds to the Company's revenues and to the over-all efficiency of operations.

MARKETING

Panco employs two full-time road salesmen and two men who handle telephone sales to regular customers. All of British Columbia's chain food stores are among the Company's customers. Others include such large institutions as major hotels, hospitals, restaurants and retail merchants. Marketing is largely confined to British Columbia, although some sales are made in the export market.

Poultry consumption, and hence marketing operations, are still subject to slight seasonal fluctuations, although the monthly gyrations that plagued the industry until the 1950's have all but disappeared. Broiler sales are higher than the annual average from April to October and below the annual average during the winter months. An advantage to the Company that comes from handling both chicken and turkey is that sales of turkey meat tend to rise in the months when sales of chicken decline.

EMPLOYEES

The Company, a major industry in the Fraser Valley, employs over 300 people. Processing plant employees are represented by the United Packinghouse Workers of America, with whom Panco has excellent labour relations. The Company has never experienced a strike of any kind.

MANAGEMENT

President of Panco is 46 year old Theodore Cohen, under whose guidance the Company has achieved its present stature. He earned his Bachelor of Agriculture, majoring in poultry science, in 1942. Mr. Cohen also completed several postgraduate courses before joining Bolivar Hatcheries in 1944. In 1945 he opened his own Company, Pacific Hatchery, which was the beginning of Panco as it is today. Theodore Cohen is well-known throughout the Canadian and U.S. poultry industry. He is a member of the Pacific Dairy and Poultry Association, Western Canada Produce Association, Institute of American Poultry Industries, and the World's Poultry Science Association. He is an honorary member of the B.C. Research Council and a past chairman of the B.C. Division of the Poultry Products Institute of Canada. He was recently elected as a director of the Pacific Dairy and Poultry Association, and is the first Canadian to be so honoured.

The production manager of the processing plant, Mitch Brychka, joined the Company in 1954. His contribution is invaluable as a result of 20 years experience in every aspect of the poultry industry.

Supervisor of the Company's hatchery and farming divisions is Harold Freeman, considered one of the most knowledgeable men in his field in Canada. He has been in the industry for 38 years and first became associated with Panco in 1958.

In charge of the sales division are two experienced marketing men, Wallace Cordingley, who has served Panco for ten years, and Alexander Rankin, who has served eight years. Mr. Rankin also supervises advertising and public relations.

William Goodridge, comptroller, is a chartered accountant. Since he first joined the Company in 1963, he has concerned himself with internal cost controls that have added considerably to the Company's efficiency.

Panco is a closely-knit organization with a high degree of co-ordination among all departments. A major reason for this is that not only senior personnel but middle-management, including department heads, are included in decision-making meetings and are encouraged to offer suggestions and to carry out new ideas.

GROWTH POTENTIAL

As a result of technical advances that have far outstripped those in other agricultural commodities, poultry is the fastest-growing food product industry on the continent. Production in Canada increased by more than one-third from 1960 to 1964. Consumption is increasing at a faster rate than population as a result of the product's convenience and quality and its competitive retail price. For example, per capita consumption of all poultry in 1963 totalled 32.6 pounds, a gain of 20 percent since 1956. Per capita consumption of beef, although higher in absolute terms (an estimated 70.1 pounds per capita in 1963) has actually declined slightly since 1956.

Broilers and turkey, Panco's major products, are the fastest-growing segments of the poultry industry, and the outlook for these products is particularly bright. Per capita consumption of turkey gained 7.8 percent to 8.3 pounds in 1963. As recently as 1956, this figure was 6.0 pounds. Broiler production has risen to an estimated 70 percent of all chickens and fowl marketed, from 60 percent in 1957 and almost nothing in 1947.

Food expenditures decline as a percentage of personal expenditure but increase in absolute terms as income increases. And as income rises the amount spent on meat and poultry increases more rapidly than total food expenditures. In 1959, about 30 cents out of every food dollar was spent for meat and poultry. In 1964, the figure was an estimated 35 cents. A study of consumption and prices indicates that more than half the gain was spent for poultry.

These trends should continue as population increases, incomes rise, and as new and even better poultry products are offered to the public. Panco added a "further processing" operation to its plant nearly three years ago. This is the stage following normal processing when convenience features are added to the product. For example, chicken legs and breasts are cut up and "boned-out" to be used as a ready-to-cook product. Many improved products will be marketed as a result of expansion of the "further processing" operation. Cooked poultry products are also processed at this stage. It is Panco's intention to enter the market aggressively with new lines of cooked products. Most of the additional capacity now under construction will be devoted to "further processing" and development of cooked products.

The Company's favourable relations with all major food retailers in British Columbia will assist in bringing new products to market and in gaining a larger share of the market for existing products. Consistently advertising the Company's high-quality products under the trade-name "Panco Brand" has contributed to wide consumer acceptance at retail and catering levels. The trade-name assures ready-made consumer acceptance for new products as they appear.

Panco is also watching the export market with interest. Because of the higher capital expenditures required and the lower profitability, the Company has not pursued the export market vigorously. However, the Company proposes to increase its exports as much as possible under present conditions and to pursue this market further as conditions warrant.

GOVERNMENT AND INDUSTRY REGULATIONS

Broiler production in British Columbia is controlled by the Broiler Marketing Board of the provincial Broiler Growers' Association under the jurisdiction of the Natural Products Marketing (British Columbia) Act. The Board has been in operation for about three years and has succeeded in stabilizing prices to producers. Processors such as Panco report to the Board monthly the number of broiler chicks they will require. The Board in turn ensures that the processors will have an adequate supply from provincial broiler growers.

Federal government regulations require that all poultry processors maintain high standards of cleanliness and disease control to protect the public. For this reason government appointed Inspectors examine each bird inside and out before it leaves the plant. Inspectors in the course of their duties perform several services which are valuable to the processor and the consumer such as running bacterial tests on ice, water and cooked products. Temperature checks are also regularly effected as part of the quality control program. The Inspectors also approve packaging material and labelling to protect the consumer against misrepresentation. Hatchery operations are also under federal surveillance.

CAPITALIZATION

(as at February 1, 1965, after giving effect to the transactions reflected in the pro forma balance sheet)

	Authorized	Outstanding
6% Debenture — payable on demand to the Company's bankers	\$1,000,000	\$566,000
7% Debenture — payable in monthly instalments to February 23, 1971	\$ 52,000	\$ 46,000
Share Capital:		
Preference Shares (Note 1)		
\$2.75 Cumulative Redeemable Convertible		
Preference Shares Series A of a par value of \$50	12,600 shares	12,600 shares
Common Shares without nominal or par value	150,000 shares	100,000 shares

NOTE (1) The Articles of Association of the Company make provision for the issuance, under certain conditions, of additional preference shares ranking equally with the Series A Preference Shares.

PURPOSE OF ISSUE

The proceeds from the sale of \$2.75 Cumulative Redeemable Convertible Preference Shares Series A will be used to retire unsecured loans made to the Company to the extent of \$50,000, to reduce indebtedness in respect of the current bank loan, and for general corporate purposes.

DIVIDEND REQUIREMENT

The maximum annual dividend requirement for the 12,600 \$2.75 Cumulative Redeemable Convertible Preference Shares Series A that will be outstanding will amount to \$34,650. The average annual net earnings of the Company for the 5 years ended January 31, 1965, are approximately \$169,615. Net earnings for the year ended January 31, 1965, are approximately 7.2 times the Series A Preference Share annual dividend requirements.

The Directors of the Company have expressed their intention, subject to the factors usually considered at the time of the declaration of dividends, to declare and pay dividends on the Common Shares on a quarterly basis at the rate of 80 cents per annum.

It is accordingly the intention of the Directors to declare an interim dividend of 6-2/3 cents per share on the Common Shares payable April 30, 1965, to shareholders of record on April 15, 1965, and to declare the first regular quarterly dividend of 20 cents per Common Share payable July 31, 1965, to shareholders of record on July 15, 1965.

The 6% Debenture granted by the Company to the Company's bankers restricts the payment of dividends on the Common Shares of the Company under either of the following conditions:

1. If the consolidated earned surplus (the definition of which is contained in paragraph 141 of the Articles of Association of the Company) of the Company is reduced below \$1,000,000; or
2. If the working capital of the Company is reduced below \$500,000.

PANCO POULTRY LTD.

Statement of Adjusted Combined Earnings of the Predecessor Companies (Note 1) for the fiscal periods ending in 1956 to 1965 inclusive

Year (Note 2)	Earnings before Depreciation and taxes on income (Note 3)	Depreciation	Earnings before taxes on income (Note 4)	Taxes on income	Net earnings
1956	\$ 18,479	\$ 8,599	\$ 9,880	\$ 1,283	\$ 8,597
1957	48,164	10,251	37,913	6,872	31,041
1958	72,775	19,163	53,612	10,553	43,059
1959	177,763	23,299	154,464	55,435	99,029
1960	176,533	27,500	149,033	54,378	94,655
1961	269,744	42,612	227,132	85,881	141,251
1962	217,787	39,859	177,928	46,487	131,441
1963	258,668	55,337	203,331	44,434	158,897
1964	304,272	98,245	206,027	40,478	165,549
1965	472,026	110,851	361,175	110,238	250,937

Note 1. Companies Included:

This statement reflects the combined earnings of the predecessor companies which amalgamated February 1, 1965 and continue as one company, Panco Poultry Ltd. The predecessor companies were Panco Management and Investments Ltd., Panco Sales Ltd., Panco Poultry Ltd., Pacific Hatchery Ltd., Panco Poultry Products Ltd., Panco Cold Storage Co. Ltd., and B.C. Testing Farms Ltd.

Note 2. Fiscal Periods:

The predecessor companies ended their fiscal periods at various dates throughout the year. Earnings for companies with fiscal periods ending July 31st, October 31st and January 31st of the following year have been combined in this statement for each year from 1955 to 1964. The 1965 amounts reflect the earnings of all the companies for the 12 months ended January 31, 1965. Not included in the above statement are the earnings for the partial periods from July 31, 1963 to January 31, 1964 for Panco Management and Investments Ltd. and from October 31, 1963 to January 31, 1964 for Pacific Hatchery Ltd., B.C. Testing Farms Ltd., Panco Sales Ltd., and Panco Poultry Products Ltd. These earnings were as follows:

Earnings before Depreciation and taxes on income (Note 3)	Depreciation	Earnings before taxes on income (Note 4)	Taxes on income	Net earnings
\$ 76,260	\$ 38,143	\$ 38,117	\$ 17,247	\$ 20,870

Note 3. Adjustment of Earnings:

The above earnings have been adjusted to limit the salary provided for the services of the managing director to \$30,000 in any year. This salary is in accordance with an agreement between Panco Poultry Ltd., and the managing director effective from February 1, 1965 to February 1, 1968. Actual salaries paid for such services exceeded \$30,000 in each of the following years by the following amounts:

Year	Excess	Year	Excess
1959	\$ 9,128	1963	Nil
1960	54,000	1964	3,704
1961	59,150	1965	19,800
1962	4,896		

The earnings have been adjusted to provide for the additional income taxes which would have been payable due to such reductions in salary.

Note 4. Income Taxes:

For income tax purposes the predecessor companies claimed capital cost allowances in excess of depreciation provided in the accounts with a resultant reduction in income taxes otherwise payable as follows:

1954	\$ 452	1960	\$ 4,098
1955	871	1961	6,467
1956	688	1962	7,279
1957	949	1963	29,233
1958	5,140	1964	17,790
1959	5,425	1965	49,172

The reduction for the partial period in 1964 described in Note 2 is \$13,029.

Except for the adjustment indicated in Note 3 income taxes shown are the aggregate of the taxes assessed or estimated on the earnings of each of the predecessor companies at the rates effective in the respective years.

AUDITORS' REPORT

To the Directors,
Panco Poultry Ltd.

We have examined the statement of adjusted combined earnings of the predecessor companies, as detailed in Note 1, for the fiscal periods ending in 1956 to 1965 inclusive. In our opinion the accompanying statement with the notes thereto presents fairly the adjusted combined earnings of the companies for the period indicated, in conformity with generally accepted accounting principles (except for the change with which we concur referred to in Note 3) applied on a consistent basis throughout the period.

Vancouver, B.C.
March 5, 1965.

(Signed) COLLINS & COLLINS
Chartered Accountants.

PANCO POULTRY LTD. (Note 1)

Balance Sheet and Pro Forma Balance Sheet as at February 1, 1965

	ASSETS	Balance Sheet	Pro Forma Balance Sheet (Note 2)
CURRENT ASSETS			
Accounts receivable		\$ 488,545	\$ 488,545
Inventories of raw materials, work in process and finished products — valued at the lower of cost or market		977,562	977,562
Prepaid expenses		19,234	19,234
		<u>1,485,341</u>	<u>1,485,341</u>
FIXED ASSETS, at cost			
Land		119,427	119,427
Roads, drainage and aeration system		67,494	67,494
Buildings		734,702	734,702
Machinery and equipment		796,973	796,973
Automotive equipment		91,539	91,539
		<u>1,810,135</u>	<u>1,810,135</u>
Less accumulated depreciation		443,066	443,066
		<u>1,367,069</u>	<u>1,367,069</u>
Share Issue Expenses		—	50,000
		<u>\$2,852,410</u>	<u>\$2,902,410</u>

To the Directors,
Panco Poultry Ltd.

We have examined the balance sheet and pro forma balance sheet of Panco Poultry Ltd. as at February 1, 1965 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that, in our opinion, the accompanying balance sheet with the notes thereto, presents fairly the financial position of Panco Poultry Ltd. as at February 1, 1965, in accordance with generally accepted accounting principles.

We further report that, in our opinion, the accompanying pro forma balance sheet with the notes thereto, presents fairly the financial position of Panco Poultry Ltd. as at February 1, 1965, in accordance with generally accepted accounting principles, after giving effect as of that date to the transactions set forth in Note 2 to the pro forma balance sheet.

Vancouver, B.C.
March 5, 1965.

(Signed) COLLINS & COLLINS
Chartered Accountants

The accompanying notes are an integral part of this statement.

PANCO POULTRY LTD. (Note 1)

Balance Sheet and Pro Forma Balance Sheet as at February 1, 1965

	LIABILITIES	Balance Sheet	Pro Forma Balance Sheet (Note 2)
CURRENT LIABILITIES			
Bank advances, secured		\$ 539,662	\$ 139,662
Accounts payable and accruals		320,356	320,356
Income taxes payable (Note 3)		91,864	91,864
Instalments on long term debt due within one year		97,548	97,548
		<u>1,049,430</u>	<u>649,430</u>
LONG TERM DEBT (Note 4)			
Debentures		612,000	612,000
Other		260,327	80,327
		<u>872,327</u>	<u>692,327</u>
Less instalments included in current liabilities		97,548	97,548
		<u>774,779</u>	<u>594,779</u>
SHAREHOLDERS' EQUITY			
Share capital			
Preference shares			
\$2.75 Cumulative Redeemable Convertible Preference Shares			
Series A of a par value of \$50 each			
Authorized and issued — 12,600 shares		—	630,000
Common shares (Note 5)			
Authorized — 150,000 shares, without nominal or par value			
Issued — 100,000 shares		1,780	1,780
		<u>1,780</u>	<u>631,780</u>
Retained earnings		1,026,421	1,026,421
		<u>1,028,201</u>	<u>1,658,201</u>
		<u>\$2,852,410</u>	<u>\$2,902,410</u>

Approved on behalf of the Board,

(Signed) T. COHEN
Director

(Signed) B. COHEN
Director

The accompanying notes are an integral part of this statement.

PANCO POULTRY LTD.

Notes to Balance Sheet and Pro Forma Balance Sheet as at February 1, 1965

Note 1. Amalgamated Companies:

On January 20, 1965 Panco Management and Investments Ltd., Panco Sales Ltd., Panco Poultry Ltd., Pacific Hatchery Ltd., Panco Poultry Products Ltd., Panco Cold Storage Co. Ltd., and B.C. Testing Farms Ltd., entered into an amalgamation agreement and were amalgamated as one company, Panco Poultry Ltd., on February 1, 1965.

Note 2. Pro Forma Balance Sheet:

The pro forma balance sheet gives effect to the following transactions and proposed transactions:

(a) The increase in the Company's authorized capital by \$630,000 by the creation of 12,600 \$2.75 Cumulative Redeemable Convertible Preference Shares Series A of a par value of \$50 each, and the issue of these shares as follows:

(i) 2,600 shares in repayment of a loan of \$130,000.

(ii) 10,000 shares to be sold to the underwriters for a cash consideration of \$500,000, less the payment of a commission of \$30,000 in connection with the sale.

(b) The repayment of loans of \$50,000.

(c) The payment of expenses estimated at \$20,000 in connection with the above transactions and proposed transactions.

Note 3. Income Taxes:

For income tax purposes the predecessor companies claimed capital cost allowance in excess of depreciation provided in the accounts. The accumulated amount by which income taxes have been reduced in this manner to February 1, 1965 is approximately \$140,593.

Note 4. Long Term Debt:

	Balance Sheet	Pro Forma Balance Sheet
DEBENTURES		
6% Debenture — payable on demand, available for certain capital expenditures up to \$1,000,000 Advances to February 1, 1965	\$566,000	\$566,000
7% Debenture — payable in monthly instalments to February 23, 1971	46,000	46,000
	<u>612,000</u>	<u>612,000</u>
OTHER		
Mortgage payable — 6½% — payable in monthly instalments to May 1, 1973	50,216	50,216
Loans payable	180,000	—
Sundry	30,111	30,111
	<u>260,327</u>	<u>80,327</u>
	872,327	692,327
Less instalments included in current liabilities	97,548	97,548
	<u>\$774,779</u>	<u>\$594,779</u>

Note 5. Common Shares Reserved:

	Number of Shares
For options granted March 4, 1965 to 5 key employees to purchase 500 shares each at \$22.50 per share	2,500
For conversion of \$2.75 Cumulative Redeemable Convertible Preference Shares Series A	<u>25,200</u>
	<u>27,700</u>

STATUTORY INFORMATION

(A) The full name of the Company is PANCO POULTRY LTD. (hereinafter called the "Company"), and the address of its head office is 7466 King George Highway, Surrey, British Columbia.

(B) The Company is an amalgamated company established as of February 1, 1965, by a Certificate of Amalgamation issued by the Registrar of Companies of the Province of British Columbia on that date. The said Certificate of Amalgamation formed one company by the amalgamation of the following companies (hereinafter sometimes referred to as the "Amalgamating Companies"), each of which was incorporated by Memorandum of Association under the "Companies Act" of the Province of British Columbia on the dates shown:

Company	Date of Incorporation
Panco Poultry Ltd.	October 31, 1958
Panco Management & Investments Ltd.	July 30, 1953
Panco Cold Storage Co. Ltd.	September 18, 1961
B.C. Testing Farms Ltd.	August 23, 1961
Pacific Hatchery Ltd.	August 8, 1951
Panco Poultry Products Ltd.	November 9, 1954
Panco Sales Ltd.	December 19, 1960

The Amalgamating Companies entered into an Amalgamation Agreement dated January 20, 1965 (hereinafter sometimes referred to as the "Amalgamation Agreement"), which Amalgamation Agreement was approved by the Supreme Court of British Columbia, and was the basis of the Certificate of Amalgamation previously referred to.

(C) The Memorandum of Association of the Company, since the creation of the same by the Amalgamating Companies, was amended by a Certificate of the Registrar of Companies of the Province of British Columbia dated March 15, 1965, creating the Series A Preference Shares.

(D) The general nature of the business transacted by the Company is the hatching, growing, processing and wholesaling of poultry and poultry products.

(E) The full names, occupations and home addresses of the directors of the Company are as follows:

Theodore Cohen	Executive	621 West 51st Avenue, Vancouver, British Columbia
Bertha Cohen	Executive	621 West 51st Avenue, Vancouver, British Columbia
Edward Alfred Finnigan	Investment Dealer	2181 West 38th Avenue, Vancouver, British Columbia
Arthur Fouks, Q.C.	Barrister and Solicitor	6637 Cartier Street, Vancouver, British Columbia
Morris Polack	Executive	714 Lakeside S., Seattle, Washington, U.S.A.

(F) The Auditors of the Company are Messrs. Collins & Collins, Chartered Accountants, 1030 West Georgia Street, Vancouver 5, British Columbia.

(G) Montreal Trust Company at Vancouver, British Columbia is the registrar and transfer agent for both the Series A Preference Shares and the Common Shares of the Company.

(H) The authorized share capital of the Company consists of \$630,000 divided into 12,600 \$2.75 Cumulative Redeemable Convertible Preference Shares Series A (herein called the "Series A Preference Shares") with a nominal or par value of \$50 each and 150,000 Common Shares without nominal or par value. As at the date of this prospectus 2,600 Series A Preference Shares and 100,000 Common Shares are outstanding as fully paid and non-assessable.

(I) The description of the voting rights, preference, conversion and exchange rights, and rights to dividends, profits or capital attached to each kind or class of share, including redemption rights and rights on liquidation or distribution of capital assets is as follows:

SERIES PREFERENCE SHARES AS A CLASS

"Series Preference Shares" shall refer to and include all shares which are or may hereafter be authorized and/or issued by the Company bearing a designation including the words "Series" and "Preference".

The rights and restrictions attaching to the Series Preference Shares as class shall be as follows:

- (a) The holders of the Series Preference Shares shall be entitled to receive and the Company shall pay thereon as and when declared by the Directors out of the moneys of the Company properly available for the payment of dividends, preferential cash dividends at the rates or amounts and at the times and places fixed by the Articles for each respective Series. The Articles shall also provide in respect of each respective series:
1. the cumulative or non-cumulative character of such preferential dividends and, if cumulative, the dates from which such preferential dividends shall accrue;
 2. if the Series Preference Shares of such Series are to be redeemable, the terms and conditions of redemption and the rate or amount of premium, if any, payable on redemption;
 3. the terms and provisions of any share purchase plan or sinking fund to be established for the benefit of the holders of the Series Preference Shares of such Series;

4. provisions for meetings of the holders of the Series Preference Shares of such Series including the voting rights of such holders at such meetings; and
 5. the conversion rights, if any, attaching to the Series Preference Shares of such Series.
- (b) In any case of redemption of Series Preference Shares under the provisions, if any, in respect of redemption attaching to the respective Series, the Company shall, at least thirty (30) days before the date specified for redemption, mail to each person, who at the date of mailing is a registered holder of Series Preference Shares to be redeemed, a notice in writing of the intention of the Company to redeem such Series Preference Shares. Such notice shall be mailed in a letter, postage prepaid, addressed to each such shareholder at his address as it appears on the books of the Company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption as to the other holders, but upon such failure being discovered notice shall be given forthwith and shall have the same force and effect as if given in due time. Such notice shall set out the amount of the redemption price, the date fixed for redemption, the place or places where such redemption price is to be paid and, if part only of the shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed. In addition, at least thirty (30) days before the date specified for redemption the Company shall cause to be published on a financial page of a daily newspaper of general circulation, published in the City of Vancouver, Canada, a notice stating the intention of the Company to redeem part or all, as the case may be, of any Series Preference Shares to be redeemed, setting out the amount of the redemption price, the date fixed for redemption and the place or places where such redemption price is to be paid and stating that notice of redemption has been or will be mailed, as the case may be, to the registered holders of Series Preference Shares so to be redeemed. If a part only of the Series Preference Shares represented by any certificate be redeemed, a new certificate for the unredeemed part shall be issued at the expense of the Company. Notice having been given as aforesaid, from and after the date fixed in any such notice as the date of redemption (unless default shall be made by the Company in providing the money for the payment of the redemption price) the holders of the Series Preference Shares so called for redemption shall cease to be entitled to dividends and all rights of such holders as shareholders of the Company, except the right to receive the redemption price against surrender of the certificates for the shares so called for redemption, shall cease and terminate, provided, however, that the Company may include in such notice a statement that the money required for the payment of the redemption price has been deposited or will be deposited on a specified date on or before the date fixed for redemption with a specified bank or trust company in trust for the benefit of the holders of the Series Preference Shares so called for redemption and, notice having been given as aforesaid, from and after the date of such deposit all rights of the holders of the Series Preference Shares so called for redemption, as shareholders of the Company, shall cease and terminate and the holders of such Series Preference Shares shall look for payment of the redemption price only to the funds so deposited and in no event to the Company unless the funds so deposited shall not be available on the date fixed for redemption. From and after the date fixed for redemption or of such deposit, as the case may be, the Series Preference Shares so called for redemption shall be regarded as having been redeemed and no longer outstanding and shall not be re-issued.
- (c) The holders of the Series Preference Shares shall not be entitled as such (except as specifically provided in the Articles with respect to any particular Series) to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting.
- (d) The holders of the Series Preference Shares shall not be entitled as of right (except as specifically provided in the Articles with respect to any particular Series) to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Company now or hereafter authorized.
- (e) So long as any Series Preference Shares are outstanding, no class of shares may be created or issued ranking as to assets or dividends prior to the Series Preference Shares and no alteration, modification, variation or abrogation of any of the rights or restrictions attaching to the Series Preference Shares as a class shall be made unless with the approval of the holders of the Series Preference Shares given in the manner hereinafter provided.
- The approval of the holders of the Series Preference Shares as to any and all matters referred to in this paragraph may be given by resolution passed at a meeting of the holders of the Series Preference Shares duly called and held for the purpose upon at least fourteen (14) days' notice, at which the holders of at least one-third of the then outstanding Series Preference Shares are present or represented by proxy, by not less than three-quarters of the votes cast on a poll. If at any such meeting the holders of at least one-third of the outstanding Series Preference Shares are not present or represented by proxy within one-half hour after the time appointed for the meeting, then the meeting shall be adjourned to such date, being not earlier than fourteen (14) days thereafter, and shall be held at such time and place as may be appointed by the Chairman of the meeting and at least five (5) days' notice shall be given of such adjourned meeting, but it shall not be necessary to specify in such notice the business for which the meeting was originally called. At such adjourned meeting the holders of Series Preference Shares present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by not less than three-quarters of the votes cast on a poll shall constitute the approval of the holders of the Series Preference Shares referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the Articles of Association of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Series Preference Shares shall be entitled to one (1) vote in respect of each Series Preference Share held.
- (f) The Series Preference Shares of each Series shall rank equally with the Series Preference Shares of every other Series. The expressions "rank equally" and "ranking equally" wherever used in these Articles relating to Series Preference Shares shall mean, with respect to shares so stated to rank equally or to be ranking equally, that such shares rank equally with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Company whether voluntary or involuntary and share rateably, on the basis of the moneys payable thereon in accordance with their respective terms, in any such payment and distribution.

SERIES A PREFERENCE SHARES

The “\$2.75 Cumulative Redeemable Convertible Preference Shares Series A” shall, in addition to the rights and restrictions attaching to the Series Preference Shares as a class carry and be subject to the following rights and restrictions:

- (a) The holders of the \$2.75 Cumulative Redeemable Convertible Preference Shares Series A (hereinafter referred to as the “Series A Preference Shares”) shall be entitled to receive and the Company shall pay thereon as and when declared by the Directors out of moneys of the Company properly available for the payment of dividends, fixed cumulative preferential cash dividends at the rate of \$2.75 per share per annum and no more, in lawful money of Canada, payable quarterly on the last days of January, April, July and October in each year. Such dividends shall accrue and be cumulative from the date of issuance thereof. Cheques of the Company payable at par at any branch of the Company’s bankers for the time being in Canada (far northern branches as may from time to time be designated by such bankers excepted) shall be issued in respect of such dividends and payment thereof shall satisfy such dividends. If on any dividend payment date the dividend payable on such date is not paid in full on all the Series A Preference Shares then issued and outstanding such dividends or the unpaid part thereof shall be paid on a subsequent date or dates determined by the Directors on which the Company shall have sufficient moneys properly applicable to the payment of the same. The holders of the Series A Preference Shares shall not be entitled to any dividend other than or in excess of the cash dividends hereinbefore provided for.
- (b) In the event of the liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs the holders of the Series A Preference Shares shall be entitled to receive the par value of such shares together with a premium of two dollars (\$2.00) per share and all unpaid preferential dividends (which for such purposes shall be calculated as if such dividends were accruing for the period from the expiration of the last quarterly period for which dividends have been paid up to the date of distribution) and if such liquidation, dissolution, winding up or distribution be voluntary and prior to April 1, 1970, an additional amount equal to one dollar (\$1.00) per share before any amount shall be paid or any property or assets of the Company distributed to the holders of common shares or shares of any other class ranking junior to the Series A Preference Shares; after payment to the holders of the Series A Preference Shares of the amounts so payable to them they shall not be entitled to share any further in the distribution of the property or assets of the Company.
- (c) Subject to the provisions of sub-paragraph (e) hereof, the Company may at any time or times purchase (if obtainable) for cancellation the whole or any part of the Series A Preference Shares outstanding from time to time in the market (including purchase through or from an investment dealer or a firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the Series A Preference Shares outstanding at the lowest price at which in the opinion of the Directors such shares are obtainable but not exceeding the amount paid up thereon plus a premium of two dollars and fifty cents (\$2.50) per share, plus costs of purchase and all unpaid preferential dividends (which for such purpose shall be calculated as if the dividends on the Series A Preference Shares being purchased were accruing for the period from the expiration of the last quarterly period for which dividends have been paid up to the date of purchase). In the event that, upon any invitation for tenders made by the Company as herein provided, the Company shall receive two or more tenders of Series A Preference Shares at the same price and which shares, when added to any shares already tendered at a lower price or prices, aggregate more than the number for which the Company is prepared to accept tenders, then if any Series A Preference Shares so tendered at the same price are purchased by the Company they shall be purchased from each holder tendering at the same price as nearly as may be pro rata, disregarding fractions. Shares so purchased shall be regarded as redeemed and no longer outstanding and shall not be re-issued.
- (d) Subject to the provisions of sub-paragraph (e) of this paragraph, and to compliance with the provisions of sub-paragraph (b) of the rights and restrictions attaching to the Series Preference Shares as a class, the Company may redeem at any time the whole or from time to time any part of the then outstanding Series A Preference Shares on payment in lawful money of Canada of a redemption price for each Series A Preference Share to be redeemed of the par value thereof plus a premium of two dollars and fifty cents (\$2.50), and plus an amount equal to all accrued and unpaid preferential dividends thereon whether or not earned or declared (which dividends for such purpose shall be calculated as if they were accruing for the period from the expiration of the last quarterly dividend period in respect of which dividends have been paid, up to but not including the date fixed for such redemption). In case a part only of the then outstanding Series A Preference Shares is at any time to be redeemed the shares so to be redeemed shall be selected by lot in such manner as the Company’s Registrar may determine.
- (e) No dividends shall at any time be declared or paid on or set apart for the common shares or any of them or any other shares of the Company ranking junior to the Series A Preference Shares nor shall the Company call for redemption and/or purchase for cancellation any Series A Preference Shares less than the total amount then outstanding unless all accrued dividends on the Series A Preference Shares then issued and outstanding shall have been declared and paid or provided for to and including the last quarterly dividend payable on the Series A Preference Shares immediately prior to the date of such declaration or payment or setting apart or call for redemption or purchase for cancellation. The Company shall not in any fiscal year of the Company declare, pay or set apart any dividends on or for the common shares or any of them or any other shares of the Company ranking junior to the Series A Preference Shares if the effect of such action would be to reduce the consolidated earned surplus of the Company and its subsidiary companies below \$1,000,000.

For the purpose of this sub-paragraph (e), the Directors of the Company may determine the consolidated earned surplus of the Company and its subsidiary companies and may determine such consolidated earned surplus to be not less than a stated amount without determining the exact amount thereof and any such determination shall be conclusive and binding upon the holders of the Series A Preference Shares.
- (f) Any holder of fully paid Series A Preference Shares shall be entitled at his option at any time up to and including but not after the 1st day of April, 1970, (subject as hereinafter provided) to have all or any of the Series A Preference Shares held by him converted into fully paid common shares without nominal or par value as the same

shall be constituted at the time of conversion upon the basis of two common shares for each Series A Preference Share in respect of which the conversion privilege is exercised and subject to increase or decrease as hereinafter provided.

The Conversion privilege herein provided for may be exercised only by notice in writing given to a transfer agent of the Company accompanied by the certificate or certificates for Series A Preference Shares in respect of which the holder thereof desires to exercise such right of conversion and such notice shall be signed by the person registered on the books of the Company as the holder of the Series A Preference Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify the number of Series A Preference Shares which the holder desires to have converted. Upon receipt of such notice by such transfer agent the Company shall issue certificates for common shares at the rate herein prescribed and in accordance with the provisions hereof to the registered holder of the Series A Preference Shares represented by the certificate or certificates accompanying such notice. If less than all the Series A Preference Shares represented by any certificate are to be converted the holder shall be entitled to receive a new certificate for the Series A Preference Shares representing the shares comprised in the original certificate which are not to be converted.

Upon conversion of any Series A Preference Shares the Company shall make no payment or adjustments on account of any accumulated or unpaid dividends on the Series A Preference Shares, certificates for which are surrendered for conversion, or on account of any dividends on the common shares resulting from such conversion. In the case of any Series A Preference Shares which may be called for redemption, notwithstanding anything herein contained, the right of conversion thereof, if then subsisting, shall cease and terminate at the close of business on the third business day prior to the date fixed for redemption; provided, however, that if the Company shall fail to redeem such Series A Preference Shares in accordance with the notice of redemption the right of conversion if so terminated shall thereupon be restored and continue as before.

If the Company shall subdivide its common shares into a greater number of shares or shall issue in exchange for its common shares a greater number of common shares, then in such case from and after the effective date of such subdivision or exchange of the shares the conversion right shall be increased in proportion to the increase in the number of outstanding common shares resulting from such subdivision or exchange, and if the Company shall reduce the number of common shares by combination or consolidation of shares or shall issue in exchange for its outstanding common shares a smaller number of common shares, then in each such case from and after the effective date for such combination, consolidation or exchange of shares the conversion right shall be decreased in proportion to the decrease in the number of the outstanding common shares resulting from such combination, consolidation or exchange of shares. If the Company shall declare and pay a stock dividend upon its common shares or a dividend payable at the option of the respective holders either in common shares or in cash then in each such case from and after the payment date of such dividend the conversion right shall be increased in proportion to the increase in the number of outstanding common shares resulting from such dividend.

All shares resulting from any conversion of Series A Preference Shares into common shares shall be deemed to be fully paid and non-assessable. Nothing herein contained shall affect or restrict the right of the Company to increase the number of its common shares without nominal or par value in accordance with the provisions of The Companies Act (British Columbia) and to issue such shares from time to time.

- (g) So long as any of the Series A Preference Shares are outstanding the Company shall not without, but may from time to time with, the approval of the holders of the Series A Preference Shares given as hereinafter specified:
 - 1. make any repayment of paid-up capital on any common shares or any other shares ranking junior to the Series A Preference Shares; or
 - 2. sell or otherwise dispose of the assets and undertaking of the Company as an entirety or substantially as an entirety.
- (h) So long as any of the Series A Preference Shares remain outstanding, the Company shall not, without the prior approval of the holders of the Series A Preference Shares given as hereinafter specified:
 - 1. issue any shares ranking in priority to the Series A Preference Shares;
 - 2. issue any shares ranking equally with the Series A Preference Shares other than additional Series Preference Shares;
 - 3. issue any Series Preference Shares ranking equally with the Series A Preference Shares unless:
 - (a) the consolidated net earnings of the Company and its subsidiary companies for any twelve (12) consecutive months of the eighteen (18) months immediately preceding the date of issuance of any such Series Preference Shares have been at least equal to three (3) times the annual dividend requirements on all the Series Preference Shares and all the shares ranking equally therewith to be outstanding immediately after giving effect to such issue and to the redemption of any Series Preference Shares and any shares ranking equally therewith to be redeemed out of the proceeds of such issue (notice of such redemption having been given before such issue); and
 - (b) after giving effect to such issue and to redemption of any shares to be redeemed out of the proceeds of such issue (notice of such redemption having been given before such issue) the aggregate of the amount paid up on the issued shares of the Company and the consolidated earned surplus of the Company and its subsidiary companies as at a date not more than 120 days prior to such issue is at least equal to two (2) times the aggregate par value of all Series Preference Shares and all shares ranking equally therewith to be outstanding immediately after giving effect to such issue and to such redemption.

"Consolidated net earnings" of the Company and its subsidiary companies means all gross earnings and income of the Company and its subsidiary companies (if any) from all sources (excluding any capital profits and capital losses) less all administrative and operating charges and expenses of every character (other than items of a capital nature) and all fixed charges of the Company and its subsidiary companies (if any); without limitation of the generality of the foregoing operating expenses shall include insurance, rentals, licences, taxes including tax on

income, all interest and such provisions for bad and doubtful debts as the Directors in their discretion with the approval of the Company's auditor may determine; provided always that the net earnings of any subsidiary company for the purpose of this definition shall only include such part of the net earnings and income of such subsidiary company as under sound accounting practice is applicable to those shares of such subsidiary company which are held by the Company or any other subsidiary company. If any property or any shares of any other company (sufficient with any other shares of such other company already owned by the Company or a subsidiary company to result in such other company becoming a subsidiary company) are owned or are in process of being acquired (or are proposed to be acquired as incidental to the proposed issue of Series Preference Shares) by the Company or any subsidiary company at the time of determining consolidated net earnings for any past period and shall not have been owned by the Company or last mentioned subsidiary company during the whole of the period for which consolidated net earnings are to be computed, net earnings of such property or such other company for the same past period (calculated in accordance with the provisions herein contained respecting net earnings) as ascertained and certified by the auditor of the Company or the then auditor of such other company after making any necessary adjustments shall be included as net earnings for all purposes of this definition; or as the case may be the net loss (if any) in respect of such property or such other company for the same past period similarly ascertained and certified shall be brought into account in ascertaining net earnings for the purposes of this definition; provided in either case that such auditor in his opinion shall have available adequate records and data to enable him to ascertain and certify such net earnings or net losses as the case may be of such property or of such other company.

"Consolidated earned surplus" of the Company and its subsidiary companies means the surplus of the Company as at February 1, 1965, being the sum of \$1,026,421, together with the consolidated net earnings of the Company and its subsidiary companies since, in the case of the Company, the 1st day of February, 1965, and, in the case of subsidiary companies, their respective dates of acquisition or incorporation, together with profits, less losses, on disposal of capital assets of the Company and its subsidiary companies, less the amount of all dividends declared on outstanding shares of the Company, all premiums paid on the redemption of Preference Shares and all other items which in the opinion of the auditor of the Company are properly chargeable to earned surplus. For the purposes of this sub-paragraph (h) and subject to the foregoing, consolidated net earnings of the Company and its subsidiary companies and consolidated earned surplus of the Company and its subsidiary companies shall be determined by the auditor of the Company.

"Subsidiary company" or "subsidiary" means any corporation or company of which more than fifty percent (50%) of the outstanding shares carrying voting rights at all times (provided that the ownership of such shares confers the right at all times to elect at least a majority of the Board of Directors of such corporation or company) are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary.

- (i) Subject to the provisions of sub-paragraph (e) of this paragraph in the twelve month period ending January 31, 1967, and in each twelve month period thereafter so long as any Series A Preference Shares are outstanding the Company shall use as a Series A Preference Share Purchase Fund an amount of money equal to three percent (3%) of the aggregate par value of all Series A Preference Shares previously issued, for the purchase on the open market for redemption or retirement of Series A Preference Shares but only to the extent that such shares are available for purchase by the Company at a price not exceeding fifty dollars (\$50.00) per share plus reasonable costs of acquisition. The Company shall purchase such shares when so available from time to time during the twelve month period but, to the extent that such shares are so available in any one month, shall not be obligated to use for such purchase in that month an amount greater than such a rateable portion of the current twelve month period Series A Preference Shares Purchase Fund then remaining as would exhaust such Fund if a like amount were used in each of the remaining months of the twelve month period.

If at the end of any twelve month period any portion of the Series A Preference Share Purchase Fund applicable to such period be not used by reason of the unavailability for purchase by the Company of Series A Preference Shares at a price not exceeding fifty (\$50.00) dollars per share plus reasonable costs of acquisition, the obligation contained in this paragraph shall terminate as to the unused portion of the said fund.

If the Company shall fail to use any sums for the purchase of Series A Preference Shares as required by the provisions of the Series A Preference Share Purchase Fund when such Shares were so available and such failure shall not have been remedied in the manner hereinafter provided during a further period of sixty (60) days after the last day of the twelve month period in which such failure occurred, then the Company shall be in default under the Series A Preference Share Purchase Fund. The Company may remedy any default under the Series A Preference Share Purchase Fund (i) by expending in the purchase of Series A Preference Shares in the manner hereinabove in this sub-paragraph provided a sum equal to the total of all sums theretofore required to have been expended under the provisions of the Series A Preference Share Purchase Fund and not so expended, or (ii) if sufficient shares are not available for purchase in said manner, by setting aside in the books of the Company to the credit of the Series A Preference Share Purchase Fund an amount equal to the sum aforesaid to be used exclusively in the purchase of Series A Preference Shares as and when the same become available. Any sums so expended or set aside shall not be credited against or taken into account in calculating the Series A Preference Share Purchase Fund requirement for the then current, or any subsequent twelve month period. The Company may, at any time, anticipate the whole or any part of the Series A Preference Share Purchase Fund obligations by purchasing Series A Preference Shares and applying the cost thereof not exceeding their par value, plus reasonable costs of acquisition, in reduction of the amount of any Series A Preference Share Purchase Fund obligations thereafter becoming due.

- (j) No alteration, modification, variation or abrogation of any of the rights or restrictions attaching to the Series A Preference Shares as a Series shall be made unless with the approval of the holders of the Series A Preference Shares given in the manner hereinafter provided. The approval of the holders of the Series A Preference Shares as to any and all matters referred to in this paragraph may be given by resolution passed at a meeting of the holders of the Series A Preference Shares duly called and held for the purpose upon at least fourteen (14) days' notice, at which the holders of at least one-third of the then outstanding Series A Preference Shares are present or represented by proxy, by not less than three-quarters of the votes cast on a poll. If at any such meeting the holders of at least one-third of the outstanding Series A Preference Shares are not present or represented by proxy within one-

half hour after the time appointed for the meeting, then the meeting shall be adjourned to such date, being not earlier than fourteen (14) days thereafter, and shall be held at such time and place as may be appointed by the Chairman of the meeting and at least five (5) days' notice shall be given of such adjourned meeting but it shall not be necessary to specify in such notices the business for which the meeting was originally called. At such adjourned meeting the holders of Series A Preference Shares present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by not less than three-quarters of the votes cast on a poll shall constitute the approval of the holders of the Series A Preference Shares referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the Articles of Association of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Series A Preference Shares shall be entitled to one (1) vote in respect of each Series A Preference Share held.

- (k) The holders of Series A Preference Shares shall be entitled to notice of every general meeting, and at all general meetings to one (1) vote in person or by proxy in respect of each Series A Preference Share held.

COMMON SHARES

The holders of the Common Shares of the Company are entitled to notice of, and be present or represented by proxy and vote at, all general meetings of the Company. On a show of hands, every such holder present in person shall have one vote. On a poll, every such holder shall have one vote for each Common Share held.

- (J) There are no bonds or debentures or other securities outstanding, issued, or proposed to be issued, and that rank or will rank ahead of the securities offered, except:

- (i) A single debenture dated November 26, 1964, as amended March 4, 1965, in favour of the Company's bankers in the principal amount of \$1,000,000 payable on demand, granting to the said bank a floating charge on all of the assets of the Company, and a specific charge against certain lands and premises as specified in the debenture, and until payment carrying interest at the rate of 6% per annum. The amount owing on this debenture as at the date of this prospectus is \$554,000, but reference is hereby expressly made to Note 4 to the Balance Sheet and Pro Forma Balance Sheet set forth on page 10 of this prospectus;
- (ii) A single debenture dated October 31, 1963, in favour of Industrial Development Bank in the principal amount of \$52,000, granting to the Industrial Development Bank a floating charge against all of the assets of the Company and a specific charge against those lands and premises situate in the Municipality of Langley, in the Province of British Columbia, more particularly known and described as:

Lot "F" of the South-West Quarter (S.W.¼) of
Section Twenty-three (23),
Township Seven (7),
Plan 22657,
New Westminster District.

The said debenture has the following provision for repayment of the principal amount:

\$500 monthly up to and including January 23, 1966, \$575 monthly from February 23, 1966, up to and including January 23, 1968, \$680 monthly from February 23, 1968, up to and including January 23, 1970, \$760 monthly from February 23, 1970, up to and including February 23, 1971. In addition to the payments, interest at 7% per annum is payable monthly on the outstanding balance.

The amount owing on this debenture as at the date of this prospectus is \$45,500.

- (iii) A second mortgage dated March 25, 1963, in favour of Buckersfield's Ltd. on those lands and premises situate in the Municipality of Langley, in the Province of British Columbia, more particularly known and described as:

Lot "F" of the South-West Quarter (S.W.¼) of
Section Twenty-three (23),
Township Seven (7),
Plan 22657,
New Westminster District.

in the principal amount of \$107,000 payable at the rate of \$622.60 per month, including interest at the rate of 6½% per annum. The amount owing on this mortgage as at the date of this prospectus is \$49,241.32.

- (iv) A general Assignment of Book Debts and a pledge under Section 88 of the Bank Act in favour of the Company's bankers. The amount owing to the bank as of February 1, 1965, is \$539,662.

The Series A Preference Shares will rank ahead of the Common Shares in accordance with the provisions set forth in paragraph (I) of this Statutory Information.

- (K) No substantial indebtedness is to be created or assumed which is not shown on the accompanying Balance Sheet and the accompanying Pro Forma Balance Sheet of the Company, both as of February 1, 1965, together with the notes thereto respectively.

- (L) Securities of the Company covered by options outstanding or proposed to be given by the Company are as follows:—

- (i) Reference is made to paragraph (I) hereof setting out (inter alia) the conversion rights attached to the Series A Preference Shares;
- (ii) On March 4, 1965, the Company granted Messrs. Mitch Brychka, Harold Freeman, William Goodridge, Wallace Cordingley and Alexander Rankin options entitling each, on certain conditions, to purchase from the Company 500 Common Shares of the Company at a price of \$22.50 per share; such options to be exercisable only during the three (3) year period ending March 31, 1970.

(M) There are being offered concurrently the following shares:

- (i) 10,000 \$2.75 Cumulative Redeemable Convertible Preference Shares Series A of the par value of \$50 per share;
- (ii) 12,000 Common Shares without nominal or par value.

(N) The issue price to the public of the securities being offered concurrently are as follows:

\$2.75 Cumulative Redeemable Convertible Preference Shares — \$50 net per share;
Common Shares — \$20 net per share.

The terms of payment on the offering provide for the securities to be paid for in cash upon the issue and delivery of the said securities.

(O) The securities offered are being offered to the public for the first time.

(P) The estimated net proceeds to the Company to be derived from the sale of the Series A Preference Shares on the basis of the same being fully taken up and paid for, after allowing for commission of \$30,000 and other costs and expenses, is \$450,000.

The estimated net proceeds to be derived from the sale of the 12,000 Common Shares on the basis of the same being fully taken up and paid for is \$222,000. The said net proceeds are to be received by Theodore Cohen and Bertha Cohen as vendors with respect to the shares so sold and no part of such proceeds will be received by the Company.

(Q) The net proceeds from the sale of the Series A Preference Shares will be used as to the sum of \$50,000 to retire unsecured loans made to the Company, the balance to be used to reduce the presently outstanding current bank loan of the Company and for general corporate purposes.

Reference is expressly made to paragraph (P) of this Statutory Information for a description of the purposes for which the proceeds from the sale of the Common Shares will be used.

(R) No minimum amount, in the opinion of the directors, must be raised by the issue of the securities offered by this prospectus in order to provide funds for—

- (i) the purchase price of any property purchased or to be purchased by the Company;
- (ii) the payment of preliminary expenses by the Company;
- (iii) any commission payable by the Company to any person in consideration of his agreeing to subscribe for or procuring, or agreeing to procure, subscriptions for any shares of the Company; or
- (iv) the repayment of any monies borrowed by the Company in respect of the foregoing matters.

(S) Pursuant to an agreement dated March 17, 1965, made between the Company, Theodore Cohen, Bertha Cohen and Thomas B. Read Company Ltd. (hereinafter sometimes called the “Underwriter”), subject to the conditions contained therein:

- (i) the Company agreed to sell and the Underwriter to purchase 10,000 Series A Preference Shares at the price of \$50 per share, subject to a commission of \$3 per Series A Preference Share, the said price to be paid in cash to the Company against delivery of the said shares;
- (ii) Theodore Cohen and Bertha Cohen agreed to sell and the underwriter to purchase 12,000 Common Shares at the price of \$18.50 per share, the said price to be paid in cash to the said Theodore Cohen and Bertha Cohen against delivery of the said shares.

(T) The Articles of Association of the Company provide for the remuneration of the directors of the Company as follows:

“74. The directors shall be paid such remuneration, if any, as the Board may from time to time determine. Any remuneration so payable to a director who is also an officer or employee of the Company, or who is counsel or solicitor to the Company, or otherwise serves it in a professional capacity, shall be in addition to his salary as such officer or to his professional fees as the case may be. In addition, the Board may by resolution from time to time award special remuneration out of the funds of the Company to any director who performs any special mission on behalf of the Company outside the work or services ordinarily required of a director of the Company. The directors shall also be paid such sums in respect of their out-of-pocket expenses incurred in attending board, committee or members’ meetings or otherwise in respect of the performance by them of their duties as the Board may from time to time determine. No confirmation by the members of any such remuneration or payment shall be required.”

(U) No remuneration was paid to the directors of the Amalgamating Companies as such during the fiscal year ended January 31, 1965. The aggregate remuneration paid during the fiscal year ended January 31, 1965, to officers of the Amalgamating Companies who each received, or were entitled to receive, remuneration in excess of \$10,000 was \$49,800.

(V) It is estimated that the aggregate remuneration that will be paid during the current fiscal year to directors of the Company as such will be \$1,000, and to officers of the Company entitled to receive remuneration in excess of \$10,000 in each year will be \$30,000.

(W) No amount has been paid within the two years preceding the date of this prospectus, or is now payable by the Amalgamating Companies or by the Company, for commission on subscriptions or agreements for subscriptions for shares or obligations of the Company. Reference is made to paragraph (S) for the purchase price to be paid by the Underwriter for the Series A Preference Shares and Common Shares.

(X) The Amalgamating Companies have been carrying on business for more than one year.

(Y) There is no property purchased, or to be purchased, by the Company, the purchase price of which is to be paid wholly or partially from the proceeds of the sale of the securities offered by this prospectus, or the purchase price of which has been paid during the immediately preceding two years, or the purchase price of which is to be paid wholly

or partially in securities of the Company, or the acquisition of which is not complete, other than property purchased or to be purchased by the Company during the ordinary course of operations or on the general credit of the Company.

(Z) No securities have been issued in the immediately preceding two years, or have been agreed to be issued within the said period as fully or partially paid up otherwise than by cash. Reference is expressly made to the Amalgamation Agreement between the Amalgamating Companies for the provisions allowing for the exchange of shares in the Amalgamating Companies for shares in the Company.

(AA) No obligations are offered by this prospectus.

(BB) No services have been rendered or are to be rendered to the Company which have been or are to be paid for wholly or partially with securities or with the proceeds of sale of securities of the Company, except as expressly referred to in paragraph (P) of this Statutory Information.

(CC) Nothing has been paid within the two years preceding the date hereof or is intended to be paid to any promoter.

(DD) No material contracts have been entered into by the Company within the two years preceding the date of this prospectus, other than in the ordinary course of business, and other than:

- (i) the agreement referred to in paragraph (S) above;
- (ii) the Amalgamation Agreement dated January 20, 1965, between the Amalgamating Companies;
- (iii) a contract of employment between the Company and Theodore Cohen providing for Mr. Cohen's employment by the Company for a period of three (3) years from February 1, 1965, at a salary of \$30,000 per annum;
- (iv) the options referred to in paragraph (L) of this Statutory Information;
- (v) letter agreements dated September 24, 1964, and November 4, 1964, between one of the Amalgamating Companies and Commonwealth Construction Co. Ltd., and a letter agreement dated February 3, 1965, between the Company and Commonwealth Construction Co. Ltd., which letters set forth the work to be done and the price payable therefor for certain additions to the buildings of the Company located at Surrey, British Columbia;
- (vi) an agreement dated July 1, 1963, between two of the Amalgamating Companies and Valmar Investments Ltd. and R. & R. Investments Ltd., providing, inter alia, for joint participation in profits earned from the use of certain lands and premises in the Municipality of Surrey, in the Province of British Columbia, more particularly known and described as:
The West Half (W.½) of the North-West Quarter (N.W.¼) of
Section Sixteen (16),
Township Seven (7),
Except the North Thirty-three (N.33') feet thereof,
New Westminster District.

which the Company leases from Valmar Investments Ltd. and R. & R. Investments Ltd.

Copies of these contracts may be inspected at the registered office of the Company, 1313 Burrard Building, 1030 West Georgia Street, Vancouver 5, British Columbia, during ordinary business hours while the securities offered by this prospectus are in the course of primary distribution, and for a period of thirty (30) days thereafter.

(EE) None of the directors of the Company has any interest in the promotion of the Company or in any property acquired by the Company within the two years preceding the date of this prospectus, or proposed to be acquired by the Company. Reference is expressly made to the Amalgamation Agreement referred to in paragraph (B) of this Statutory Information.

(FF) The Company has carried on business since February 1, 1965, but the Amalgamating Companies had each carried on business for more than three years prior to the amalgamation.

(GG) The Company does not intend to acquire, nor has it acquired, either directly or by the acquisition of shares or otherwise, a business that has been carried on for less than three years. Reference is expressly made to the Amalgamation Agreement referred to in paragraph (B) of this Statutory Information.

(HH) By reason of beneficial ownership of Common Shares of the Company, Mr. and Mrs. Theodore Cohen of 621 West 51st Avenue, Vancouver, British Columbia, if acting together, are able or entitled to elect, or cause to be elected, a majority of the directors of the Company.

(II) No shares of the Company are, to the knowledge of the undersigned, held in escrow.

(JJ) No dividends have been paid by the Company since the date of its amalgamation, and no dividends were paid by any of the Amalgamating Companies since the date of its incorporation.

(KK) In 1961 an action was commenced by some neighbouring residents against two of the Amalgamating Companies alleging nuisance and seeking damages and an injunction restraining flooding allegedly causing the nuisance. Subsequently the Amalgamating Companies concerned took certain steps which the Company considers eliminated any basis which may have existed for any justifiable complaints, and the action has remained dormant since March 1962. In the opinion of Counsel for the Company if the Plaintiffs were successful and if damages were awarded, any such damages would be nominal.

There are no other material facts not disclosed in the foregoing.

Vancouver, British Columbia.
March 17, 1965.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of the securities referred to above, as required by the Securities Act, 1962, of the Province of British Columbia, and there is no further material information applicable other than in the financial statements or reports where required.

DIRECTORS

(Signed) T. COHEN	(Signed) A. FOUKS	}	by their agent
(Signed) B. COHEN	(Signed) M. POLACK		}
(Signed) E. A. FINNIGAN			

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of the securities referred to above, as required by the Securities Act, 1962, of the Province of British Columbia, and there is no further material information applicable other than in the financial statements or reports where required.

UNDERWRITERS

THOMAS B. READ COMPANY LTD.	Names of all persons having an interest greater in value than one-twentieth of the capital of said underwriters.
by	T. B. Read, A. J. Barker, G. D. Sherwood and E. A. Finnigan.
(Signed) G. D. SHERWOOD	

Vancouver 2, .

Canada

With the Compliments of

Thomas B. Read Company Ltd.

E. A. Finnigan.

